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In the Supreme Court of the United States

OCTOBER TERM, 1965

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Respondent.

Petitioner's Reply Brief in Support of Petition for a Writ of Certiorari

EDWARD B. GREGG
MELVIN R. STIDHAM
GREGG & STIDHAM
483 Mills Building
San Francisco, California
Counsel for Petitioner

BORG PRINTING COMPANY OF CALIFORNIA, 346 FIRST STREET, SAN FRANCISCO 94105

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Respondent's Brief in Opposition (hereinafter referred to as Respondent's Brief) is predicated upon the following asserted facts:

I. In addition to the patent in suit (No. 2,406,736) and the three expired patents mentioned on the face of the patent in suit (Patents Nos. 2,250,518; 2,271,675; and 2,219,832, which expired in 1957, 1958 and 1959) Respondent also had a method patent (No. 2,407,126) and a cup or chuck patent (No. 2,589,324). Only Claims 1 and 3 of the cup patent were held invalid, the

other two claims (Claims 2 and 4) not having been formally held invalid, and such patent expiring in 1969.

II. Everyone in the business of leasing processing equipment for use by canners (including Petitioner and Respondent) engages in the practice of leasing for a term not less than three years. Therefore, this practice is sanctioned by custom; and this sanction includes the right to monopolize 70% of the trade on three year leases after expiration of the last valid patent purporting to cover competitive machines.

III. The District Court did, in fact, find the Petitioner's structure to be the equivalent of Respondent's structure.

Respondent's Brief does not challenge the following important facts set forth in the Petition:

(a) That the only unexpired patent of Respondent which purported to cover Respondent's machine or any part thereof after September 3, 1963 was the cup patent, No. 2,589,324.

(b) That no valid claim of any unexpired patent of Respondent (not even the cup patent) covered Petitioner's structure or any part thereof after September 3, 1963.

(c) That, nonetheless, after September 3, 1963, 70% of the olive pitting machines in the United States remained bound by lease contracts to Respondent (See Petition, page 14, second paragraph and the table on page 13).

(d) That this situation was brought about by Respondent's lease contracts and was not inherent in Respondent's patent monopoly.

(e) That Respondent in this suit for infringement of Patent No. 2,406,736 demanded (and it never withdrew its demand for) injunctive relief to protect this post-expiration lease position; i.e., to protect a monopoly which was created by contract, not by patents.

(f) That Respondent demanded (and it never withdrew its demand for) damages to compensate it for loss of lease income

after expiration of the patent in suit and after expiration or invalidation of all claims purporting to cover the machines of Petitioner; i.e., to compensate Respondent for loss of the expectancy of a complete contract monopoly after expiration or invalidation of all applicable patent claims.

On points (e) and (f) above, see Petition, page 18, last paragraph of text and quotation from the record bridging pages 18 and 19. This has not been challenged by Respondent. *Without question Respondent admits seeking relief by way of injunction or damages after expiration of all valid patent claims covering Petitioner's machine; and Respondent admits that the purpose of such relief was to protect a monopolistic position achieved by contract and extending beyond the date of expiration of the patent in suit.*

The Courts below have not punished this attempt to use a patent, during its lifetime, to protect a contract monopoly after the patent has expired. All that the Courts below have done is to say, in effect, "We won't let you do it, but we're not going to punish you for trying." This is in the teeth of *Morton Salt Co. v. Suppiger*, 314 US 488, 493; 62 S.Ct. 402, 405; 86 L.Ed. 363, 366 (1942), wherein this Court said:

> "Undoubtedly 'equity does not demand that its suitors shall have led blameless lives', Loughran v. Loughran, 292 U.S. 216, 229, 54 S.Ct. 684, 689, 78 L.Ed. 1219, cf. Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 241, 245, 54 S.Ct. 146, 147, 78 L.Ed. 293; but additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors. Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product [in the present case the machine of Patent No. 2,406,736 after expiration of that patent], the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying

the grant of the patent. Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish. Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the proper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated. Cf. B. B. Chemical Co. v. Ellis, 314 U.S. 495, 62 S.Ct. 406, 86 L.Ed. ....., decided this day." (Matter in brackets added.)

An analogous issue is before this Court in *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, presently on the docket of this Court as No. 13 of the October 1965 Term and scheduled for argument this Term. In Walker, a patent was procured by fraud but, upon its expiration and after revelation of the fraud, the patent owner (FMC) procured dismissal of its complaint. The defendant (Walker), although freed of all claims of patent infringement, persisted with an antitrust counterclaim predicated upon Section 2 of the Sherman Act, 15 USC 2, claiming that it had been injured by the fraudulent patent. The courts below dismissed the antitrust counterclaim (see 335 F.2d 315). This Court granted certiorari.

Quite evidently, in Walker, this Court is entertaining, and will decide the view that fraud in the procurement of a patent deserves more than a light slap on the wrist in the form of a dismissal of the patent infringement complaint; and that it deserves positive relief under the antitrust law.

It is equally evident that a patentee who *endeavors* to extend his patent monopoly deserves more severe punishment than a judicial expression of disapproval; he deserves to have his right to relief denied. Otherwise there is no deterrent to attempts at misuse.

Commenting on the asserted facts numbered I, II and III, supra:

The Existence of Method Patent No. 2,407,126 Is Not Significant

This patent (which is mentioned in Petitioner's Brief at page 13) was, in effect, conceded not to be infringed by Petitioner. At Volume 4 of the record in this Court, pages 319-321, Mr. Hesse, vice president of Respondent, was cross-examined by Petitioner's counsel with regard to the claims of this method patent (there being only two claims). At page 321, the following colloquy is reported with regard to these claims.

> "Now, I ask you, Mr. Hesse, we are not charged with infringement of either one of the claims, are we?"
> A. No, we have . . .
> Q. All right.
> A. . . . not charged by you with this"

Moreover, this method patent expired at the same time as the patent in suit, No. 2,406,736; that is to say on September 3, 1963.

The method patent cannot be counted in favor of Respondent on the issue of apportionment because it was not alleged to be infringed by Petitioner; nor can it be counted in favor of Respondent on the issue of extension of the patent monopoly because it expired at the same time (September 3, 1963) as the patent in suit, No. 2,406,736.

The Cup Patent No. 2,589,324 Is Not Significant

This trivial patent contains four claims which are set forth in footnote 1 hereinbelow. Stripped of verbiage, what Claim 1 is

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1. A chuck for the orienting and pitting of an elongated fruit having a major and a minor axis, the chuck comprising a receptacle having a cavity therein symmetrically disposed about its major axis and defined by an upper conoidal portion and a lower conoidal portion adjacent to said upper portion, said upper portion being in the form of an inverted frustrum of a cone and having its largest diameter approximately equal to the major axis of the fruit, with opposite cavity walls at an angle of from 50° to 90°, said lower portion continuing and being of smaller diameter than said upper portion and in the form of an inverted frustrum of a cone with opposite cavity walls at an angle of from 22° to 44° and at least

for (and this is one of the two claims that were formally held to be invalid), is a cup or "chuck" for receiving olives and for holding them in upright position for pitting, such cup having a wide, flaring, funnel-like top portion to facilitate entry of the olive and a narrow bottom portion to hold the olive in upright position. Each of the other claims (Claims 2, 3 and 4) specifies some particular angular relationship between the upper and lower portions of the cup.

The District Court very caustically described these angular relationships as follows at Vol. 10, page 1155:

> "THE COURT: Well, I was trying to find out how you came to these figures, and when you start telling me you came to the figures because the lawyer figured you ought to be putting in some figures, then you don't have any significance.
>
> "If these figures were the result of somebody's work, if somebody made an analysis and they had a machine and they said that if you ran the machine with so many vibrations and that you had such a size olive in there and you dropped it in a particular way with a particular angle, it will take you a long time to get the olive to go down into the cone, whereas if you had still another angle you found there was an instantaneous result, then you've got a basis for a claim.
>
> "But if you are just picking up figures because a lawyer said figures, that it should be dressed up, then you haven't got a claim."

20° smaller than the angle included between the opposite cavity walls of said upper portion, the upper portion being of a heighth measured along said cavity axis which is at least about 15% of the minor axis of the fruit, the lower portion having a heighth measured along said cavity axis of at least about 55% of the major axis of the fruit.

2. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 50° and the cavity walls of the lower portion are at an angle of about 28°.

3. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 60° and the cavity walls of the lower portion are at an angle of about 30°.

4. A chuck as in claim 1 wherein the cavity walls of the upper portion are at an angle of about 90° and the cavity walls of the lower portion are at an angle of about 28°.

At page 1154 of the same volume, lines 3 to 9, the District Court described the claims of this patent as "hocus-pocus".

Moreover, Respondent's Brief does not refer to a single item of evidence in support of its assertion that the two claims which were not sued upon (Claims 2 and 4), and which were conceded not to be infringed by Petitioner, cover any part of Respondent's own machine. At page 5, next-to-last paragraph of Respondent's Brief, reference is made to Joint Pre-Trial Order, Vol. 1, page 90, paragraph 30 and to an affidavit of Mr. Margaroli at Volume 1, page 33, first paragraph.

The Margaroli affidavit was never offered and was never received in evidence at the trial of the case. It does not constitute evidence of anything. The paragraph of the Pre-Trial Order referred to reads as follows:

> "30. Of the three types of olive holding cup or chucks used on plaintiff's olive pitting machine (the unpatented OP 109 chuck and the OP 310 and OP 313 cup which are asserted by Plaintiff to be covered by patent No. 2,589,324), the OP 310 cups are the most expensive and a set of these cups for a machine costs in the neighborhood of $800."

Note that this paragraph merely states that it is "asserted by plaintiff [meaning Respondent] to be covered by Patent No. 2,589,324". No claim is singled out and "asserted by Plaintiff" to cover its OP 310 and OP 313 cups.

It is apparent that Respondent is endeavoring to bootstrap one of the most trivial patents that has come before this Court, into a justification for extending its monopoly by way of three year lease contracts, and to continue to do so until 1969 when that patent expires.

Custom in an Industry Cannot Justify a Three Year Leasing Practice Where Suit Is Brought on a Patent and Relief Is Demanded to Protect the Leasing Practice After Expiration of the Patent

In the Petition, at page 16, in its second reason for granting the writ, Petitioner has stated the following:

> "This question is unlikely to be litigated in any other circuit than the Ninth Circuit. The states comprising the Ninth Circuit (California in particular), account for a very large proportion of the useage of fruit processing machines. California accounts for all of the olive production and processing in the United States."

This has not been challenged. In fact, it has been reinforced and confirmed by Respondent's contention that three year leases are the custom in the industry.

Respondent does not cite a single case in support of the proposition that, because a practice is prevalent and is a generally recognized custom, it is lawful. It may, perhaps, be a custom which is convenient for, or is preferred by all concerned. However, as stated by this Court in *B.B. Chemical Co. v. Ellis*, 314 U.S. 495 at 498, 62 S.Ct. 406 at 408, 86 L.Ed. 367 at 370:

> "It is without significance that, as petitioner contends it is not practicable to exploit the patent rights by granting licenses because of the preferences of manufacturers and of the methods by which petitioner has found it convenient to conduct its business. The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant."

If custom in the industry is to be the criterion for judging the legality or illegality of a practice with respect to extension of a patent monopoly, that criterion should be enunciated by this Court so that, in the Ninth Circuit especially, lessors and lessees may know the state of the law.

Respondent's Contention That the Courts Below Made Findings of Equivalence Ignores the Fact the Courts Below Refused to Apply 35 USC 112 in the Light of the Withdrawal of Claim 5

In the paragraph commencing at the bottom of page 9 of the Petition and extending over to page 10, Petitioner has pointed out the numerous and various ways in which the courts below ap-

proached the interpretation of Claim 11 and their reasons for finding that it was infringed by Petitioner's structure. However, as pointed out at the close of this portion of the Petition,

> "But nowhere in the District Court's opinion or in the Court of Appeals' opinion is there any mention of 35 USC 112 nor of its rule of interpretation of a 'means' claim. The courts below were silent as to the inferences to be drawn from the withdrawal of Claim 5, which is summarily dealt with in Finding No. 25 as follows:
>
> '25. Claim 5 of '736 [the patent in suit] has been withdrawn. Claim 5 has no effect on Claim 11.' "

This has not been challenged by Respondent. The statutory command of 35 USC 112 is that, if an element in a claim for a combination is "expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof", the claim "*shall* be construed to cover the corresponding structure, material, or acts described in the specification and in equivalence thereof." (Emphasis added)

The courts below refused to grapple with the problem presented by the fact that Respondent conceded at the trial that Claim 5 required a finding of equivalence of Petitioner's structure; that Respondent withdrew Claim 5 in the light of adverse evidence, from which the only conclusion to be drawn is that Petitioner's structure is not an equivalent; and that, if there was non-equivalence with respect to Claim 5, there must also be non-equivalence with respect to Claim 11 (the broad means claim) because of the rule of construction provided by 35 USC 112.

It is respectfully submitted that important questions are presented which vitally concern the administration of the patent laws, and that the writ should be granted.

EDWARD B. GREGG
MELVIN R. STIDHAM
GREGG & STIDHAM
Counsel for Petitioner